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CANADIAN ARROW MINES LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED DECEMBER 31

1974

CANADIAN ARROW MINES LIMITED

Head Office

Suite 1921
Bank of Nova Scotia Building
44 King Street West
Toronto, Ontario
M5H 1E2

Directors

F. Blair
Toronto

J. Geddes
Mississauga

E. G. Huggard
Windsor

E. R. Huggard
Arnprior

G. A. MacMillan
Tottenham, R.R. No. 2

Officers

G. A. MacMillan
President

E. G. Huggard
Vice-President

F. Blair
Secretary-Treasurer

Transfer Agent and Registrar

Premier Trust Company
19 Richmond Street West
Toronto

Auditors

Thorne Riddell & Co.
Toronto

Annual Meeting

11th Floor
Board of Trade Building
11 Adelaide Street West
Toronto

April 25, 1975 at 10:00 a.m.
(Toronto Time)

REPORT OF THE DIRECTORS

To the Shareholders:

The directors present the annual report of Canadian Arrow Mines Limited for the year ended December 31, 1974. The auditors' report on the financial statements, with balance sheet as of December 31, 1974, and such statements, form part of the report.

HISLOP TOWNSHIP PROPERTY

You were informed at mid-year that we had arranged for Pamour Porcupine Mines Limited to take a 5,000 ton bulk sample by open cut method to be processed in its own mill with material then stock-piled on the property, with a view to testing the feasibility of a continuing custom-milling operation.

While this arrangement appears to have worked out at some financial benefit to the Company, further assurance is being sought as to the feasibility of a continuing custom-milling operation. For this purpose, a further 16,000 tons is to be taken out as an additional bulk sample. The net proceeds to the Company of the initial arrangement, after all expenses, including a number of non-recurring expenses, are expected to exceed \$30,000.00.

PLAYFAIR TOWNSHIP PROPERTY

Assessment work for the year was performed on the four unpatented claims held in this Township.

DOGPAW LAKE PROPERTY

At the time of the issue of the interim report you were also informed that for \$50,000.00, paid, the Company had granted Noranda Exploration Company Limited (No Personal Liability) a five-year option to acquire an interest in this property and given a synopsis of the terms. The optionee informs the Company that it has completed diamond drilling on the neighbouring property and is preparing a preliminary study to determine the feasibility of operating the two properties together.

SLOCAN-RAMBLER MINES (1947) LIMITED

The Company continues to provide by advances to this Company, in which it holds a substantial share interest, the funds for it to continue to keep in good standing and to hold its properties in the Sardon Area of British Columbia through which the Company maintains an interest in silver, lead and zinc.

GENERAL POLICY

The Company proposes to continue to consider property submissions with a view to acquisition, by staking, option to purchase or otherwise, of interests in mineral prospects of promise, consistent with the Company's financial abilities from time to time.

Respectfully submitted,

On behalf of the Board,

Toronto, Ontario
February 14, 1975

G. A. MacMILLAN,
President.

CANADIAN ARROW MINES LIMITED

(Incorporated under the laws of Ontario)

BALANCE SHEET — DECEMBER 31, 1974

(with comparative figures at December 31, 1973)

ASSETS

	1974	1973
Current Assets		
Cash, including term deposits	\$ 164,308	\$ 141,526
Accounts and accrued interest receivable	35,226	620
	<u>199,534</u>	<u>142,146</u>
Interest in Other Companies		
Listed shares, at cost (quoted market value 1974, \$30,643; 1973, \$31,480)	97,697	97,697
Other shares and advances, at cost less amounts written off	42,280	40,780
	<u>139,977</u>	<u>138,477</u>
Less allowance for decline in value	110,000	110,000
	<u>29,977</u>	<u>28,477</u>
Fixed Assets		
Equipment, at cost	10,599	10,219
Less accumulated depreciation	5,802	6,915
	<u>4,797</u>	<u>3,304</u>
Mining claims (note 1)		
Township of Hislop, Ontario acquired for \$5,583 cash and 480,242 shares valued at \$6,645	12,228	12,228
Doggaw Lake Area, Ontario, at nominal value	1	1
	<u>17,026</u>	<u>15,533</u>
Other Assets and Deferred Charges		
Exploration, development and administrative expenditures deferred (note 2)	497,109	520,827
Organization expense	4,710	4,710
	<u>501,819</u>	<u>525,537</u>
	<u>\$ 748,356</u>	<u>\$ 711,693</u>

LIABILITIES

	1974	1973
Current Liabilities	Nil	Nil

SHAREHOLDERS' EQUITY

Capital Stock (note 3)

Authorized — 5,000,000 shares without par value (1973 — par value of \$1 each)		
Issued — 3,557,287 shares	\$1,242,570	\$3,557,287
Less discount on shares		<u>2,314,717</u>
	<u>\$1,242,570</u>	<u>1,242,570</u>
Deficit	494,214	530,877
	<u>748,356</u>	<u>711,693</u>

Approved by the Board:

GEORGE A. MacMILLAN, Director.

F. BLAIR, Director.

\$ 748,356	\$ 711,693
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CANADIAN ARROW MINES LIMITED

STATEMENT OF EXPLORATION, DEVELOPMENT AND ADMINISTRATIVE EXPENDITURES DEFERRED

YEAR ENDED DECEMBER 31, 1974

(with comparative figures for 1973)

	1974	1973
Exploration		
Playfair Township, Ontario		
Stripping	\$ 1,715	
Magnetic and electromagnetic surveys		\$ 1,625
Staking and abstracts	22	26
	<u>1,737</u>	<u>1,651</u>
Less government exploration assistance		500
	<u>1,737</u>	<u>1,151</u>
Hislop Township, Ontario		
Feasibility study (note 1(a))		
Metal revenue	196,277	
Less expenditures	161,051	
	<u>(35,226)</u>	
Taxes and insurance	538	577
Geologist expenses		350
	<u>(34,688)</u>	<u>927</u>
Dogpaw Lake Area, Ontario (note 1(b))		
Payment received under option agreement	<u>(50,000)</u>	
General exploration expenses		
Engineer's fees and expenses	8,400	6,000
Travelling expenses	1,182	1,385
Depreciation of automobile	1,504	726
Other	514	518
	<u>11,600</u>	<u>8,629</u>
Less refund of prior years' expenses		822
	<u>11,600</u>	<u>7,807</u>
Total exploration expenditures	<u>(71,351)</u>	<u>9,885</u>
Administrative		
Office rent and occupancy expenses	11,335	8,863
Office salaries	6,330	5,350
Telephone and telegraph	1,236	698
Directors' fees	630	300
Meeting and report expenses	2,351	2,075
Stock exchange fees	300	200
Share issue and transfer expense	693	354
Legal fees	1,559	505
Audit fees	1,050	1,050
Depreciation of office equipment	322	402
Business taxes	809	747
General expense	1,217	1,037
Charge to associated companies for office services	<u>(3,900)</u>	<u>(3,900)</u>
	<u>23,932</u>	<u>17,681</u>
Balance, carried forward	\$ (47,419)	\$ 27,566

CANADIAN ARROW MINES LIMITED

STATEMENT OF EXPLORATION, DEVELOPMENT AND ADMINISTRATIVE EXPENDITURES DEFERRED (Continued)

YEAR ENDED DECEMBER 31, 1974

(with comparative figures for 1973)

	1974	1973
Balance, brought forward	\$ (47,419)	\$ 27,566
Interest and dividends received	12,962	8,857
Excess of expenditures over interest and dividends received (interest and dividends received and other income over expenditures)	(60,381)	18,709
Balance deferred at beginning of year	520,827	511,076
	<u>460,446</u>	<u>529,785</u>
Deduct exploration expenditures written off to deficit		
General exploration	11,600	7,807
Dogpaw Lake Area, Ontario	(50,000)	
Playfair Township, Ontario	1,737	1,151
	<u>(36,663)</u>	<u>8,958</u>
Balance deferred at end of year	<u>\$ 497,109</u>	<u>\$ 520,827</u>

Summary of expenditures deferred

Exploration and development of claims		
Hislop Township, Ontario	\$ 430,021	\$ 464,709
Administrative expenses		
Less interest and dividends received	67,088	56,118
	<u>\$ 497,109</u>	<u>\$ 520,827</u>

CANADIAN ARROW MINES LIMITED

STATEMENT OF DEFICIT YEAR ENDED DECEMBER 31, 1974 (with comparative figures for 1973)

	1974	1973
Deficit at beginning of year	\$ 530,877	\$ 521,919
Exploration expenditures written off		
General exploration	11,600	7,807
Dogpaw Lake Area, Ontario	(50,000)	
Playfair Township, Ontario	1,737	1,151
Deficit at end of year	<u>\$ 494,214</u>	<u>\$ 530,877</u>

STATEMENT OF CHANGES IN FINANCIAL POSITION YEAR ENDED DECEMBER 31, 1974 (with comparative figures for 1973)

	1974	1973
Working capital derived from		
Other income in excess of exploration and administrative expenditures	\$ 47,419	
Add depreciation not involving working capital	1,826	
	49,245	
Interest and dividends received	12,962	\$ 8,857
	<u>62,207</u>	<u>8,857</u>
Working capital applied to		
Exploration and administrative expenditures		27,566
Deduct depreciation not involving current outlay		1,128
		26,438
Advances to another mining company	1,500	1,000
Purchase of equipment	3,319	
	<u>4,819</u>	<u>27,438</u>
Increase (decrease) in working capital	57,388	(18,581)
Working capital at beginning of year	142,146	160,727
Working capital at end of year	<u>\$ 199,534</u>	<u>\$ 142,146</u>

CANADIAN ARROW MINES LIMITED

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 1974

1. Mining Claims

(a) Township of Hislop, Ontario

Under a letter agreement dated June 28, 1974, as amended, Pamour Porcupine Mines Limited agreed to undertake a feasibility study by performing certain work on the company's mining claims in the Township of Hislop, Ontario and to process a total of 21,000 tons of ore through its mill. The company is to pay Pamour its expenditures for this work and will receive credit for the value of all gold produced.

The statement of exploration, development, and administrative expenditures deferred reflects all costs as reported by Pamour to December 31, 1974 less the value of gold produced at estimated realizable value on the processing of 14,491 tons of ore.

As consideration for the performance of the work as set out above, the company has granted Pamour the right of first refusal to manage any further development of the property until June 30, 1975, and to custom mill all material mined from the property during such management period. Pamour has agreed to hold available mill capacity of 75,000 tons per year for the company's use for a period of three months after the completion of the feasibility study as set out above. If the results of this study indicate that further mining and milling is economical, Pamour would expect to enter into a standard custom milling agreement for an initial quantity of 250,000 tons.

(b) Dogpaw Lake Area, Ontario

Under an agreement dated July 8, 1974, the company for a cash consideration of \$50,000 granted a five-year option to Noranda Exploration Company Limited (No Personal Liability) to acquire an 80% interest in the companies' mining claims in the Dogpaw Lake Area, Ontario. Noranda, in order to exercise this option, is required to equip the property for production at not less than 250 tons per day and notify the company that it has done so, with a statement of expenditures. Within 30 days after receiving such notice, the company may elect to pay 20% of such expenditures and thereby increase its interest in the mining claims to a 40% interest. If the company so elects, it is required to pay 20% of all further expenditures on the mining claims. If the company does not pay its share of such further expenditures, its interest will be proportionately reduced but not to less than its original 20% interest. The companies' interest in the mining claims will be increased by a further 5% if more than 500,000 tons of ore are mined from these claims.

2. Recovery of Costs

Exploration, development and administrative expenditures amounting to \$497,109 at December 31, 1974 have been deferred with the intention that they should be amortized along with the cost of mining claims by charges against income from future mining operations. The recovery of these costs is dependent, therefore, upon the obtaining of adequate financing and the development of an economic mining operation.

3. Capital Stock

The company obtained a Certificate of Amendment of Articles dated April 29, 1974 changing the company's authorized capital from shares with a par value of \$1 each to shares without par value and accordingly the net issue price of shares issued in prior years was transferred to issued capital at the discounted price.

4. Remuneration of Directors and Senior Officers

Direct remuneration of directors and senior officers as defined by The Business Corporations Act amounted to \$15,360 in 1974 and \$11,650 in 1973.

AUDITORS' REPORT

To the Shareholders of
Canadian Arrow Mines Limited

We have examined the balance sheet of Canadian Arrow Mines Limited as at December 31, 1974 and the statements of exploration, development and administrative expenditures deferred, deficit and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1974 and the results of its operations and the changes in its financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada
February 8, 1975

THORNE GUNN & CO.,
Chartered Accountants.

CANADIAN ARROW MINES LIMITED

Meeting of Shareholders
April 25, 1975

INFORMATION CIRCULAR as at March 1, 1975

SOLICITATION OF PROXIES

This information circular is furnished in connection with the solicitation by the management of Canadian Arrow Mines Limited ("the Company") of proxies to be used at the meeting of Shareholders of the Company to be held at the time and place and for the purposes set forth in the accompanying notice of meeting. It is expected that the solicitation will be primarily by mail. Proxies may also be solicited personally by regular personnel of the Company at nominal cost. The Company does not intend to pay any compensation for the solicitation of proxies. The cost of solicitation by management will be borne by the Company.

APPOINTMENT AND REVOCATION OF PROXIES

The persons named in the accompanying form of proxy are officers and directors of the Company. **A shareholder desiring to appoint some other person to attend and act for him and on his behalf at the meeting may do so** either by inserting such other person's name in the blank space provided in the form of proxy or by completing another proper form of proxy and, in either case, delivering the completed proxy to the Company not later than 48 hours before the time of the meeting. Proxies received less than 48 hours before the meeting will not be used at the meeting.

A shareholder who has given a proxy may revoke it either (a) by signing a proxy bearing a later date and delivering it to the Company, or (b) as to any matter on which a vote shall not already have been cast pursuant to the authority conferred by such proxy, by signing written notice of revocation and delivered it to the Company or the Chairman of the meeting, or (c) attending at the meeting and orally revoking such proxy.

Where a proxy or revocation is signed by a corporation, its corporate seal must be affixed.

EXERCISE OF DISCRETION BY PROXIES

The shares represented by the proxy will be voted on any item on which a ballot is taken and, where the person whose proxy is solicited specifies a choice with respect to any matter to be acted upon, the shares shall, subject to section 121 of The Business Corporations Act, be voted in accordance with the specification so made. **In the absence of such specification, such shares if voted will be voted in favour of:**

- (a) the approval of the 1974 Annual Report which includes the Report of the Directors, the Financial Statements for the period ended December 31, 1974 and the Auditors' Report;
- (b) the election as directors of the nominees designated below; and
- (c) the appointment as auditors of Thorne Riddell & Co. with authority to the directors to fix their remuneration.

The accompanying form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the notice of meeting, and with respect to other matters which may properly come before the meeting, and any adjournment thereof. At the time of printing this Circular the management of the Company knows of no such amendments, variations or other matters to come before the meeting.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

At the date hereof there were outstanding 3,557,287 shares of the Company without par value each carrying the right to one vote. To the best knowledge of the directors and senior officers of the Company, the following are the only persons or companies beneficially owning directly or indirectly shares carrying more than 10% of the voting right attached to all issued shares of the Company:

<u>Name</u>	<u>Shares</u>
Airquests Limited	669,398
Kam-Kotia Mines Limited and its wholly-owned subsidiary, Deebank Limited	704,417
MacMillan Prospecting & Development Limited	505,647

Shareholders of record at the time of the meeting will be entitled to attend and vote at the meeting. The recorded addresses of Shareholders are indicated on the printed Proxy furnished with the Notice of Meeting. Shareholders are urged to see that the Company or the Transfer Agent, Premier Trust Company, 19 Richmond Street West, Toronto, have their current addresses.

ELECTION OF DIRECTORS

The board consists of five directors. The persons named in the enclosed form of proxy intend to vote for the election of the nominees whose names are set forth below, all of whom are now members of the board of directors and have been since the dates indicated. The management does not contemplate that any of the nominees will be unable to serve as a director but, if that should occur for any reason prior to the meeting, the persons named in the enclosed form of proxy reserve the right to vote for another nominee in their discretion. Each director elected will hold office until the next Annual Meeting or until his successor is duly elected unless his office is earlier vacated in accordance with the by-laws.

The following table states the names of all the persons proposed by management to be nominated for election as directors, all other positions and offices with the Company now held by them, their principal occupations and number of shares of the Company beneficially owned directly or indirectly by each of them as of the date hereof:

<u>Name and Office Held</u>	<u>Principal Occupation</u>	<u>Shares</u>	<u>Became Director</u>
G. A. MacMillan (President)	Independent Prospector	349,599 direct*	1938
E. G. Huggard (Vice-President)	Retired	—	1968
F. Blair (Secretary/Treasurer)	Accountant	15,500**	1972
J. Geddes	Accountant	—	1956
E. Ross Huggard	Teacher	—	1968

*G. A. MacMillan also owns the majority of the issued shares of Airquests Limited and MacMillan Prospecting & Development Limited which, as mentioned above, own respectively 669,398 and 505,647 shares of the Company.

**Held in joint ownership with husband, Thomas Blair.

NOTE: The information with respect to directors and shares beneficially owned by them, not being within the knowledge of the Company, has been furnished by the respective directors individually.

REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

No remuneration other than a nominal fee per meeting attended was paid or is payable by the Company to the directors of the Company as such for the fiscal year ended December 31, 1974. The total amount paid and payable during the year to the directors and senior officers as a group was \$15,360.00.

APPOINTMENT OF AUDITORS

The persons named in the enclosed form of proxy intend to vote for the appointment of Thorne Riddell & Co., Chartered Accountants, Toronto, as auditors of the Company to hold office until the next Annual Meeting of Shareholders. Thorne Riddell & Co. and their predecessors, have been the auditors of the Company for more than five years.

